

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 05622 212157Z

14

ACTION ARA-10

INFO OCT-01 EB-07 ISO-00 OMB-01 TRSE-00 CIAE-00 INR-07

NSAE-00 XMB-02 OPIC-03 AID-05 FEA-01 FPC-01 /038 W

----- 021207

R 212030Z AUG 75

FM AMEMBASSY BUENOS AIRES

TO AMEMBASSY ASUNCION

USDOC WASHDC

INFO SECSTATE WASHDC 2355

LIMITED OFFICIAL USE BUENOS AIRES 5622

E.O. 11652: N/A

TAGS: BEXP, ENRG, AR, PA

SUBJECT: PROPOSED U.S. CONSORTIUM FOR YACYRETA HYDROELECTRIC PROJECT.

REF: ASUNCION 3246; BA-3693.

1. IN VIEW OF RECENT ACTIVITY BY CONSORTIUM MEMBERS AND INFORMATION CONTAINED REFTEL, THIS EMBASSY WISHES TO OFFER ITS OPINION ON THE SUBJECT: WE BELIEVE THAT THE FORMATION OF A CONSORTIUM OF AMERICAN FIRMS TO BID FOR THE ELECTROMECHANICAL EQUIPMENT FOR THIS PROJECT IS COMMERCIALY A SOUND IDEA. ALLIS CHALMERS, WESTINGHOUSE AND GENERAL ELECTRIC SHOULD BE ENCOURAGED IN THIS VENTURE, WHICH COULD MEAN SEVERAL HUNDRED MILLION DOLLARS WORTH OF ORDERS FOR AMERICAN INDUSTRY. HOWEVER, WE HAVE STRONG RESERVATIONS ABOUT THE FEASIBILITY AND TIMELINESS OF AN UNSOLICITED BID BY THE CONSORTIUM.

2. FOR A NUMBER OF REASONS, OUTLINED BELOW, EMBASSY BUENOS AIRES BELIEVES AN UNSOLICITED BID IS NOT A PRACTICAL WAY TO APPROACH THIS PROJECT AT THIS TIME. WE DOUBT THAT SUCH A BID WOULD BE WELL RECEIVED BY THE GOA, PARTICULARLY IF THE APPROACH WERE MADE THROUGH THE PARAGUAYANS. ARGENTINE OFFICIALS OF THE ENTE BINACIONAL YACYRETA (EBY) SEEM FIRMLY

LIMITED OFFICIAL USE

PAGE 02 BUENOS 05622 212157Z

COMMITTED TO AN OPEN BID COMPETITION EARLY NEXT YEAR.

FURTHERMORE, CURRENT INSTABILITY OF THE POLITICAL SITUATION IN ARGENTINA WOULD MAKE IT DIFFICULT IF NOT IMPOSSIBLE TO OBTAIN A RESPONSE FROM THE GOA. GOA OFFICIALS WILL BE RELUCTANT TO COMMIT THEMSELVES TO AN UNORTHODOX CONTRACT AWARD PROCEDURE. UNORTHODOX BUSINESS DEALS ("NEGOCIADOS") ARE POPULAR HERE, BUT HAVE A WAY OF BOOMERANGING, AS OCCURRED FOR EXAMPLE IN CASE OF ALUAR ALUMINUM PLANT. WE CANNOT DISCOUNT POSSIBILITY OF A NON-CONSTITUTIONAL CHANGE OF GOVERNMENT IN ARGENTINA IN THE NEAR FUTURE WHICH COULD BRING TO POWER A DIFFERENT GROUP OF POLITICIANS ALL TOO ANXIOUS TO QUESTION THE DUBIOUS DECISIONS OF THOSE WHO PRECEDED THEM.

3. A MUCH MORE PRACTICAL PROBLEM, WHICH WE BELIEVE THE CONSORTIUM WILL FIND INSUPERABLE, IS THAT OF FINANCING. ANY OFFER THAT THE CONSORTIUM MIGHT MAKE WOULD BE MEANINGLESS WITHOUT THE ACCOMPANYING FINANCIAL PACKAGE. AS NEITHER THE EXPORT-IMPORT BANK NOR FOREIGN COMMERCIAL BANKS ARE MAKING ANY NEW COMMITMENTS OF FINANCING TO ARGENTINA AT PRESENT BECAUSE OF THE POLITICAL AND ECONOMIC CRISIS HERE, IT WILL BE DIFFICULT IF NOT IMPOSSIBLE FOR THE CONSORTIUM TO MAKE AN OFFER INCLUDING FINANCING UNTIL ARGENTINA PUTS ITS HOUSE IN ORDER. BY THEN (SPEAKING OPTIMISTICALLY), WE ARE LIKELY TO BE VERY CLOSE TO THE TIME THAT THE EBY WILL CALL FOR INTERNATIONAL BIDS FOR THIS PROJECT (LATEST ESTIMATE: JANUARY-FEBRUARY 1976) AND THERE WILL PROBABLY BE VERY LITTLE INTEREST ON EITHER THE PARAGUAYAN OR THE ARGENTINE SIDE IN AN UNSOLICITED BID.

4. A SECOND, AND ALSO DETERMINING, OBSTACLE TO AN UNSOLICITED BID IS THE POLICY OF THE IDB AND IBRD WITH REGARD TO BIDDING PROCEDURES ON PROJECTS WHICH THEY PARTICIPATE IN FINANCING. WE ARE TOLD BY LOCAL IDB OFFICE THAT THIS BANK AND THE IBRD INSIST ON OPEN INTERNATIONAL BID CONTESTS FOR ALL PHASES OF PROJECTS IN WHICH THEY PARTICIPATE, REGARDLESS OF WHETHER THEY ARE FINANCING ALL OR ONLY SELECTED PARTS OF THE PROJECT. AS WE UNDERSTAND THAT THE EBY INTENDS TO ASK FOR IDB AND IBRD FINANCING FOR THE CIVIL WORKS FOR YACYRETA APIPE, THEY WILL NOT BE ABLE TO ACCEPT ANY UNSOLICITED BIDS FOR OTHER PHASES OF THE PROJECT.

5. ACCORDINGLY, WE RECOMMEND THAT EFFORTS TO FORM THE CONSORTIUM CONTINUE, WITH A VIEW TO ITS PARTICIPATION IN THE OPEN INTER-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 05622 212157Z

NATIONAL CALL FOR TENDERS ANTICIPATED DURING THE FIRST QUARTER OF 1976. HOWEVER, SHOULD THE CONSORTIUM DECIDE TO GO AHEAD WITH THE UNSOLICITED BID, EMBASSY BUENOS AIRES URGES THEY MAKE A SIMULTANEOUS PRESENTATION TO BOTH THE GOA AND THE GOP IN ORDER TO AVOID RUFFLING THE SENSIBILITIES OF THE ARGENTINES.

6. ADDITIONALLY, WE SUGGEST TO THE CONSORTIUM THAT THEY GIVE SERIOUS CONSIDERATION TO THE GOA'S 2,000 MW PARANA MEDIO PROJECT

(SEE REF. BA-3693 AND PREVIOUS). THIS PROJECT, DOWNRIVER FROM YACYRETA AND COMPLETELY WITHIN ARGENTINE TERRITORY, IS A MORE APT SUBJECT FOR AN UNSOLICITED BID. AS DEPARTMENTS OF STATE AND COMMERCE ARE AWARE, THE GOA INITIALLY ASKED THE USG TO ENCOURAGE AMERICAN FIRMS TO MAKE SUCH AN OFFER. DESPITE THE FACT THAT THE GOA IS NOW PLANNING AN INTERNATIONAL BID COMPETITION FOR THIS PROJECT, EMBOFFS HAVE BEEN TOLD THEY WOULD BE STILL INTERESTED IN HAVING UNSOLICITED OFFERS WHICH WERE ACCOMPANIED BY FINANCING, NOT ONLY FOR THE ELECTROMECHANICAL EQUIPMENT, BUT FOR SOME OF THE LOCAL COSTS INVOLVED IN THE PROJECT. THIS PROJECT IS NOT AS FAR ALONG AS YACYRETA APIPE, BUT IS RECEIVING CONSIDERABLE IMPETUS BY THE ARGENTINES.

HILL

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, HYDROELECTRIC POWER PLANTS, PROPOSALS (BID)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BUENOS05622  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750290-0526  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750828/aaaaayjj.tel  
**Line Count:** 128  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 ASUNCION 3246, 75 BUENOS AIRES 3693  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 SEP 2003 by WorrelSW>; APPROVED <18 DEC 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED U.S. CONSORTIUM FOR YACYRETA HYDROELECTRIC PROJECT.  
**TAGS:** BEXP, ENRG, EFIN, AR, PA, US  
**To:** ASUNCION COM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006